

### Coastal Energy Impact Loans

The Coastal Zone Management Act, as amended, authorizes grants, loans, loan guarantees, and repayment assistance to states and local governments to assist in financing new or improved public facilities necessitated by energy related activities in coastal and outer continental shelf areas. Energy related activities in these areas include offshore drilling for natural gas and oil, port receiving and storage facilities, and petroleum refineries for imported oil. The act sets up the Coastal Energy Impact Fund in the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce.

The Administration is proposing to terminate coastal energy impact loans in the belief that states and localities are capable of dealing with the effects of oil and gas development. For 1981 the Administration is proposing a rescission to reduce the new direct loan obligation ceiling by \$40 million to \$7.4 million. No further obligations are anticipated for 1982.

Table 55 details the direct loan program of the Coastal Energy Impact Fund for fiscal years 1980-1982.

TABLE 55. COASTAL ENERGY IMPACT LOANS (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation enacted	---	47.4	---
Limitation proposed	---	7.4	---
Obligations subject to limitation	---	7.4	---
Obligations exempt from limitation	33.1	---	---

### Rural Development Insurance Fund

The Farmers Home Administration makes loans for water systems, waste disposal facilities, community facilities, and industrial development through the Rural Development Insurance Fund (RDIF). Water and waste development loans are made to Indian tribes, nonprofit corporations, and public and quasipublic agencies. Community facility loans may cover fire

and rescue services, transportation systems and social, cultural, or recreational facilities. Both the water and community facility loans have a term that is the lesser of the useful life of the facility or 40 years. Their interest rate may not exceed 5 percent. Table 56 details the direct lending and loan guarantee activities under the RDIF.

TABLE 56. RURAL DEVELOPMENT INSURANCE FUND CREDIT ACTIVITIES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
Direct Loan Obligations			
Limitation enacted	950	1,010	---
Limitation proposed	---	850	130
Obligations subject to limitation	948	850	130
Obligations exempt from limitation <u>a/</u>	<u>475</u>	<u>657</u>	<u>66</u>
Total obligations	1,423	1,667	196
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New Loan Guarantee Commitments			
Limitation enacted	1,066	741	---
Limitation proposed	---	741	---
Commitments subject to limitation	1,066	741	---
Commitments exempt from limitation <u>b/</u>	<u>1,443</u>	<u>1,597</u>	<u>1,000</u>
Total commitments	2,509	2,338	1,000
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Sale of Loan Assets to FFB			
New sales to FFB	1,443	1,597	1,021
Repurchases	-450	-625	---
Outstanding FFB holdings	4,318	5,290	6,311

a/ The obligations exempt from limitation consist primarily of the repurchase of loan assets from the FFB.

b/ The commitments exempt from limitation are for guarantees of loan asset sales.

For 1981 the Administration is proposing a rescission to reduce the authority to incur direct loans for water and waste projects from \$750 million to \$590 million, reducing the limitation for the entire RDIF to \$850 million.

The Administration is proposing legislation to increase the present interest rate for water and waste loans to the average rate applied to municipal bonds sold for the same type of project. This change is proposed in order to curb the growth of interest subsidy outlays. Further loan obligations for water and waste disposal projects in 1982 are contingent upon the enactment of this legislation.

Industrial development guaranteed loans may be made to cooperatives, corporations, Indian tribes, municipalities, or individuals. The loans are to assist in financing business and industrial facilities, purchasing real estate, paying start-up costs, or supplying working capital. The interest rate on loans to private entrepreneurs is the cost of Treasury borrowing plus administrative expenses, and the maturity is 30 years. Loans to public entities have a 5 percent interest rate and a 40-year maturity. No further loan guarantee commitments are expected for 1982. The Administration is proposing to terminate this program.

As a further part of its effort to curb the lending activities of Farmers Home Administration credit programs, the Administration is proposing to reduce new direct loan obligations for community facility loans of the RDIF. For fiscal year 1982, the Administration is proposing \$130 million in new direct loan obligations for community facilities. In addition, the Administration is proposing legislation to increase the present interest rate for community facility loans to the average municipal bond rate.

It should be noted that the RDIF is a revolving fund largely financed by the sale of loan assets (certificates of beneficial ownership) to the FFB. The Administration did not make direct loan and loan guarantee activity relating to sales and purchases of loan assets subject to the proposed limitation. These transactions are considered to be a means of financing, not program activity.

#### Rural Electrification Administration

The Rural Electrification Administration (REA) administers two credit programs in function 450: the Rural Communications Development Fund, and the off-budget Rural Telephone Bank. Table 57 summarizes the credit activities of these programs.

Rural Communications Development Fund. The Consolidated Farm and Rural Development Act authorizes loans and loan guarantees for the

financing of community antenna television services in rural areas. Originally this activity was financed out of the Rural Development Insurance Fund of the Farmers Home Administration. In 1980 the activity was transferred to a new revolving fund in the REA.

TABLE 57. RURAL ELECTRIFICATION ADMINISTRATION CREDIT ACTIVITIES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual <u>a/</u>	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Rural Communications Development Fund			
Limitation enacted	10.0	31.4	---
Limitation proposed	---	15.1	---
Obligations subject to limitation	10.0	31.4	---
Rural Telephone Bank			
Limitation enacted	199.9	220.0	---
Limitation proposed <u>b/</u>	---	220.0	220.0
Obligations subject to limitation	199.9	185.0	185.0
-----			
New Loan Guarantee Commitments			
Rural Communications Development Fund			
Limitation enacted	24.0	2.6	---
Limitation proposed	---	2.6	---
Commitments subject to limitation	24.0	2.6	---

a/ Activity in part of 1980 was financed through the Rural Development Insurance Fund. Such amounts are included in that fund.

b/ The proposed limitation provides "not less than \$160,000,000 nor more than \$220,000,000."

Under the community facilities program, nonprofit organizations may receive 35-year loans at 5 percent interest to provide television service in rural areas comparable to service in urban areas. Profit-making organizations may obtain loans from a business and industrial development loan program, again for a 35-year term, but at rates just above Treasury borrowing costs.

The Administration is proposing to terminate the Rural Communications Development Fund. The Administration believes that private lenders can adequately provide credit for this activity. For 1981 the Administration is proposing a rescission of \$16.3 million which reduces the ceiling on new direct loan obligations to \$15.1 million. No further new direct loan obligations or loan guarantee commitments are contemplated for 1982.

Rural Telephone Bank (RTB). The Rural Telephone Bank, established by Public Law 92-12, provides a supplemental source of financing for the REA telephone program. The bank borrows from the Treasury and bases the interest rates for its loans on its average cost of money. On all loans through September 30, 1980, the weighted average interest rate was 7.08 percent. During the first quarter of 1981, loans were made at 10.25 percent.

For fiscal year 1982, the Administration is proposing a minimum of \$160 million for new direct loan obligations and a maximum of \$220 million. A point estimate of \$185 million is included in the credit budget. For fiscal year 1981 a limitation of the same amount was enacted, while it was estimated that only \$185 million in new direct loan obligations would be made.

#### SBA Disaster Loans and Loan Guarantees

The Small Business Administration (SBA) makes both direct and guaranteed loans to assist small businesses and property owners to recover from physical disasters under sections 7(b), 7(f), and 7(g) of the Small Business Act, as amended. Such loans are specifically exempted from limitation on annual new obligations. The Administration is proposing to increase the interest rates on physical disaster loans to the cost of Treasury borrowing.

Nonphysical disaster loans are made to small businesses that need assistance in complying with various federal or state statutes and regulations and to small businesses that have suffered economic loss because of displacement or economic injury. Examples of the former include assisting small businesses in complying with pollution control, meat and poultry inspection, and occupational safety requirements. Examples of the

latter include economic loss caused by closure of federal offices and military bases or energy shortages. For fiscal year 1982, the Administration is proposing to eliminate nonphysical disaster loans as part of its plan to limit disaster assistance to those most in need.

In the March budget revisions the Administration withdrew the \$780 million supplemental appropriation requested in the January budget. The disaster loan program has generally required a supplemental every year to accommodate the needs of all eligible applicants. If no supplemental is passed in 1981, the SBA will for the first time have to devise a method for selecting recipients from the pool of eligible applicants. For 1982 the Administration is continuing to press for restraint in disaster loans by requesting that the program no longer be exempt from limitation. The relatively low limitation requested for 1982--\$440 million--reflects in part a decision to transfer much of the disaster lending to the Farmers Home Administration.

Table 58 details disaster loan assistance through the SBA disaster loan revolving fund for 1980-1982.

TABLE 58. SMALL BUSINESS ADMINISTRATION DISASTER LOANS AND LOAN GUARANTEES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation proposed	---	---	440
Obligations subject to limitation	---	---	440
Obligations exempt from limitation <u>a/</u>	1,237	2,070	---
-----			
New Loan Guarantee Commitments			
Exempt from Limitation	2	---	---
Guaranteed Loans Outstanding	7	6	4

a/ Obligations made for physical disaster loans are exempt from limitation.

### Community Services Administration Credit Programs

The Community Services Administration (CSA) administers two credit programs: rural development loans and loan guarantees, and loans to community development credit unions. Table 59 details the activities of the rural development loan fund and the credit union loans.

Rural Development Loan Fund. Through this fund, loans and loan guarantees are provided to borrowers in rural communities that have substantial concentrations of low-income persons. The loans and guarantees are for group ventures, developing either business or community facilities that will provide increased income, employment, and ownership opportunities for low-income residents. Loans and guarantees may be made directly or to intermediary organizations that, in turn, lend or guarantee funds to eligible borrowers. For fiscal year 1982, the Administration is proposing a limitation of \$8 million on new direct loan obligations and \$2 million on new loan guarantee commitments.

Community Development Credit Unions. A revolving fund was established in fiscal year 1980 to be jointly administered by CSA and the National Credit Union Administration. The fund makes "seed money" loans to newly chartered community development credit unions. These credit unions will provide financing for community development needs. The Administration proposes that no new direct loan authority be made available for fiscal year 1982.

TABLE 59. COMMUNITY SERVICES ADMINISTRATION CREDIT (By fiscal year, in millions of dollars)

	<u>Direct Loans</u>			<u>Loan Guarantees</u>		
	1980	1981	a/ 1982	1980	1981	a/ 1982
Rural Development Loan Fund						
New Obligations	20.0	8.0	8.0	---	2.0	2.0
New transactions	b/	24.0	8.0	---	---	---
Community Development Credit Unions						
New obligations	5.0	1.0	---	---	---	---
New transactions	---	6.0	---	---	---	---

a/ Administration estimates.

b/ Less than \$50,000.

## Indian Credit Assistance

To provide Indian tribes on federal reservations greater access to credit, the Indian Financing Act of 1974 established a revolving fund for loans and the Indian guarantee and insurance fund. The former provides direct loans, while the latter guarantees private lending to Indians.

For fiscal year 1982 the Administration is proposing a limitation of \$14.8 million on new direct loan obligations. The Administration is requesting a limitation of \$27.6 million on new loan guarantee commitments for fiscal year 1982. Table 60 details the activities of the revolving fund and the Indian loan guarantee and insurance fund.

TABLE 60. INDIAN CREDIT ASSISTANCE (By fiscal year, in millions of dollars)

Credit Activity	Direct Loans			Loan Guarantees		
	1980	1981 <u>a/</u>	1982 <u>a/</u>	1980	1981 <u>a/</u>	1982 <u>a/</u>
Revolving Fund for Loans						
New obligations	17.1	12.7	14.8	---	---	---
New transactions	17.0	13.4	14.8	---	---	---
Guarantee and Insurance Fund						
New obligations	1.5	1.8	1.3	---	2.3	27.6
New transactions	1.5 <u>b/</u>	1.8 <u>b/</u>	1.3 <u>b/</u>	7.7	2.3	27.6

a/ Administration estimates.

b/ Disbursement for loan guarantee default claims.



## EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES (FUNCTION 500)

Credit programs in this function consist primarily of loans and loan guarantees to assist students and their families in financing college educations. In addition there are loans and loan guarantees to colleges and other institutions to finance construction of facilities. Table 61 gives a summary of credit assistance in education.

TABLE 61. EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES--SUMMARY OF CREDIT ASSISTANCE (By fiscal year, in millions of dollars)

Program	New Direct Loan Obligations			New Loan Guarantee Commitments		
	1980	1981 <u>a/</u>	1982 <u>a/</u>	1980	1981 <u>a/</u>	1982 <u>a/</u>
Guaranteed Student and Parent Loans	271	343	588	4,750	7,185	5,697
Guarantees of SLMA Obligations	---	---	---	1,070	2,095	500
National Direct Student Loans	305	186	286	---	---	---
College Housing Loans	<u>114</u>	<u>76</u>	<u>60</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	690	605	924	5,820	9,280	6,197

a/ Administration estimates.

### Guaranteed Student and Parent Loan Programs

The guaranteed student loan program is designed to stimulate commercial, state, and nonprofit lenders to provide loans to students and parents to help pay the costs of education at universities, colleges, and vocational schools. The Administration is proposing a number of changes in the guaranteed student loan program for 1981 and 1982: the amount of a loan would be determined according to the student's assessed financial need; in-school interest subsidies on new loans to students would be eliminated; and interest rates on loans to parents would be set at the market rate, eliminating federal subsidies. These changes would probably reduce the number of program participants and hence lower the level of new loan commitments.

Table 62 provides a summary of the credit activity in the guaranteed student loan program. The Administration estimates that total loan guarantee commitments will decrease by 21 percent, from \$7,185 million in 1981 to \$5,697 million in 1982, reflecting the proposed changes in the program. The 1981 estimate does not include the impact of the proposal on 1981 loans; the 1982 estimate does. CBO's estimate for new loan guarantee commitments in 1981 is \$5.6 billion, reflecting the major impact the proposal would have as early as 1981. CBO estimates that new commitments will fall to \$5.1 billion in 1982. The difference of \$600 million from the Administration's 1982 estimate derives from CBO's assumption that very few parents would borrow under the program at the proposed nonsubsidized interest rates. If no changes are enacted, CBO estimates that new loan guarantee commitments for 1982 will be \$8.8 billion.

TABLE 62. CREDIT ACTIVITIES FOR THE GUARANTEED STUDENT LOAN PROGRAM (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations Exempt from Limitation <u>a/</u>	271	343	588
-----			
New Loan Guarantee Commitments Exempt from Limitation	4,750	7,185	5,697
Net Loans Guaranteed	3,347	5,580	2,903
Guaranteed Loans Outstanding	11,649	17,157	20,060

a/ Primarily disbursement for loan guarantee default claims.

The Administration estimates the total obligations for defaults of guaranteed loans (which are converted to direct loans) at \$588.1 million for 1982, an increase of 72 percent over the 1981 level of \$342.7 million. While total obligations are increasing as the program gets larger, there is a slowly declining default rate--now approximately 9 percent.

#### Guarantees of SLMA Obligations

The Student Loan Marketing Association (SLMA) is classified as a government-sponsored private credit corporation, although to date SLMA's capital has come from the Federal Financing Bank. The Department of Education guarantees SLMA's borrowing from the FFB, and these guarantees are recorded as secondary guarantees in the credit budget. SLMA performs

three basic credit functions for the guaranteed student loan program. First, it is a lender of last resort to enable students to obtain a federally insured loan. Secondly, it purchases insured loan portfolios from financial institutions. Finally, it serves to consolidate federal loans for students with several separate loans. Loan activity in the entire student loan program has grown over 300 percent in the last three years, and banks are seeking SLMA services for their greatly expanded portfolios. SLMA's market share in student loan insurance lending activity is expected to remain constant.

As part of its attempt to promote private rather than government financing the Administration recently announced that the SLMA will no longer finance its activities through the FFB. To facilitate the transition to private financing, the FFB will purchase \$2.1 billion in SLMA debt in 1981, almost double the 1980 purchases. The Administration is proposing a substantial decrease in federal funding in 1982 with its requested limitation of \$500 million. Thereafter, no further FFB transactions would occur. Table 63 summarizes the credit activity for this program.

TABLE 63. GUARANTEES OF STUDENT LOAN MARKETING ASSOCIATION OBLIGATIONS (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Loan Guarantee Commitments			
Exempt from Limitations	1,070	2,095	500
Guarantees of FFB Loans			
Net FFB loan purchases	1,070	2,095	500
Outstanding FFB holdings	2,345	4,440	4,940

#### National Direct Student Loan Program

National direct student loans (NDSL) are long-term, low interest loans to assist financially needy students in pursuing post-secondary education at eligible institutions. The Administration estimates total direct lending obligations of \$286 million for fiscal year 1982 for NDSL. The federal government makes loans in the form of capital contributions to the revolving funds at higher education institutions. Colleges use their receipts to make new loans, rather than repaying the federal government. The new federal capital, combined with \$514 million in college revolving fund capital, is estimated to provide \$800 million in loans for the 1980-1981 school year. This level of activity is expected to decline for the 1981-1982

school year as a result of the proposed reduction of the federal capital contribution. The 1982 request does not quite restore the contribution to the 1980 level for the 1982-1983 school year. Table 64 summarizes the activity for this program.

TABLE 64. CREDIT ACTIVITY FOR NDSL PROGRAM (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations Exempt from Limitation	305	186	286
New Direct Loans	311	283	210
Collections on defaults	<u>-23</u>	<u>-25</u>	<u>-27</u>
Net direct loan outlays	287	258	184
Direct Loans Outstanding	4,098	4,356	4,539

#### College Housing Loans

Title IV of the Housing Act of 1950 authorized loans at 3 percent interest rates to colleges and eligible hospitals for the construction or acquisition of housing facilities. The loans have a 40-year term. Through a rescission the Administration is proposing to reduce college housing loans to \$76 million in 1981, because of the decline in the college age population. At the same time it is requesting the removal of the limitation of \$110 million which was previously enacted. For 1982, the Administration expects a further reduction, to \$50.0 million. Table 65 summarizes the credit activity in this area.

TABLE 65. CREDIT ACTIVITY FOR COLLEGE HOUSING LOANS (By fiscal years, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation enacted	---	110.0	---
Limitation proposed	---	---	---
Obligations exempt from limitation	113.7	76.0	50.0

## HEALTH (FUNCTION 550)

Credit assistance in the health function includes loans and loan guarantees for health services, health maintenance organizations, and the education and training of health care professionals. Table 66 summarizes the levels of new direct loan obligations and new loan guarantee commitments for 1980-1982.

TABLE 66. HEALTH--SUMMARY OF CREDIT PROGRAMS (By fiscal year, in millions of dollars)

Program	New Direct Loan Obligations			New Loan Guarantee Commitments		
	1980	1981 <u>a/</u>	1982 <u>a/</u>	1980	1981 <u>a/</u>	1982 <u>a/</u>
Health Maintenance Organizations	35.6	51.5	91.9	33.4	51.5	75.5
Health Professions Graduate Student Loan Insurance	---	0.1	0.2	31.7	48.0	100.0
Health Resources	29.9	13.5	---	---	---	---
Health Services	<u>0.1</u>	<u>0.5</u>	<u>1.0</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	65.6	65.6	93.1	65.1	99.5	175.5

a/ Administration estimates.

For 1982 the Administration proposes a total of \$93.1 million in new direct loan obligations, a 42 percent increase over 1981. The increase is due primarily to loans to health maintenance organizations (HMOs). The Administration proposes \$176 million in new loan guarantee commitments, a 76 percent increase over 1981. These large increases are caused by higher levels of loan guarantees for HMOs and for the Health Professions Graduate Student Loan Insurance program. The major increases in direct loans to HMOs in both 1981 and 1982 will have no impact on the unified budget since the majority of the new loans are to be sold to the Federal Financing Bank as loan assets. This lending is effectively transferred off-budget through such sales.

## Health Maintenance Organization and Medical Facilities Loan and Loan Guarantee Funds

The Public Health Service Act authorizes financial assistance to HMO's in the form of grants, contracts, loans, and loan guarantees for planning, development, acquisition, and construction of ambulatory health care facilities. Both the direct and guaranteed loans have a 20-year maturity and bear interest at 12 percent.

The budget estimates for 1981 and 1982 envision a substantial increase in lending and guarantees under this program, which has grown slowly since its inception in 1975. Total direct loan obligations in 1982 are estimated to be \$91.9 million, a 78 percent increase over 1981. Total loan guarantee commitments are estimated to be \$76 million in fiscal year 1982, a 46 percent increase over 1981 estimates.

Direct loans are financed through a revolving fund. As new loans are made they are sold to the FFB as loan assets to provide funds for additional loans. All the loan sales are fully guaranteed. For fiscal 1982, a limitation of \$76 million for direct loan obligations is being requested, as is a limitation of \$76 million for the guarantee of loan asset sales to the FFB. The authorizations for direct and guaranteed lending will expire on September 30, 1981, so reauthorization will be required before the end of this session of the Congress.

The medical facilities program has made direct loans for public facilities and loan guarantees for private, nonprofit facilities in the past, financed through the FFB. No new loan guarantee commitments or loan obligations are planned in 1981 or 1982.

Table 67 summarizes the credit activities of HMO and medical facilities funds.

### Other Health Programs

Health Professions Graduate Student Loans. The Health Professions Graduate Student Loan Insurance Fund enables students to borrow from private lenders to help pay the cost of their medical training under Title VII of the Public Health Service Act. The federal government fully insures the principal amount of the loans. The students pay 12 percent annual interest on the 10-year loans. Only students who received guaranteed loans prior to September 30, 1980 can receive new guaranteed loans. Since only a student who started graduate school in either 1978, 1979, or 1980 may receive these loans, 1982 should be the last year with high commitment levels. The Administration anticipates that loans totaling \$100 million will be made to

TABLE 67. CREDIT ACTIVITIES FOR HEALTH MAINTENANCE ORGANIZATIONS AND MEDICAL FACILITIES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Limitation enacted	---	155.0 <u>a/</u>	---
Limitation proposed	---	---	75.5
Obligations subject to limitation	---	---	75.5
Obligations exempt from limitation	<u>35.6</u>	<u>51.5</u>	<u>16.4</u> <u>b/</u>
Total obligations	35.6	51.5	91.9
Net Direct Loan Outlays	-2.5	-34.2	-6.1
Direct Loans Outstanding	216.8	182.6	176.5
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New Loan Guarantee Commitments			
Limitation enacted	---	170.0	---
Limitation proposed	---	---	75.5
Commitments subject to limitation	---	---	75.5
Commitments exempt from limitation	<u>33.4</u> <u>c/</u>	<u>51.5</u> <u>c/</u>	---
Net Loans Guaranteed	32.0	51.0	59.1
Guaranteed Loans Outstanding	115.7	166.7	225.8
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Sale of Loan Assets to FFB			
New sales to FFB	39.8	51.5	75.5
Repurchases	-17.7	-4.9	-21.2
Outstanding FFB holdings	269.1	315.7	370.0

a/ A limitation of \$155 million was reported by the House Appropriations Committee. The program is operating, however, under continuing resolution, based on 1980 when there was no limitation.

b/ Disbursement for guarantee default claims.

c/ Primarily guarantees of loan assets sold to FFB.

10,000 students, averaging around \$10,000 each in 1982. The Administration's recommended limitation of \$100 million for 1982, is a 108 percent increase over the 1981 commitment level. Direct loan obligations for 1982 are expected to be \$0.2 million, to cover defaults on guaranteed loans.

Health Resources. Credit activity in health resources consists mainly of interest subsidy payments to meet federal commitments on long-term guaranteed loans for health professions school facilities. When necessary, funds are provided for default payments on federally guaranteed loans. No new direct loan obligations are anticipated for 1982.

Health Services. The Secretary of Health and Human Services may make loans to community organizations in eligible areas for the initial costs of establishing health-care delivery sites for the National Health Service Corps. The Administration estimates new direct loan obligations of \$1 million for fiscal year 1982.

Table 68 summarizes the activity for health professions graduate students, health resources, and health services.

TABLE 68. OTHER HEALTH CREDIT PROGRAMS (By fiscal years, in millions of dollars)

Program	Direct Lending			Loan Guarantees		
	1980	1981 <u>a/</u>	1982 <u>a/</u>	1980	1981 <u>a/</u>	1982 <u>a/</u>
Health Professions Loans						
New obligations	---	0.1 <u>b/</u>	0.2 <u>b/</u>	31.7	48.0	100.0
New transactions	---	0.1	0.2	31.7	48.0	100.0
Health Resources						
New obligations	29.9	13.5	---	---	---	---
New transactions	27.6	28.0	9.0	---	---	---
Health Services						
New obligations	0.1	0.5	1.0	---	---	---
New transactions	0.4	0.4	0.5	---	---	---

a/ Administration estimates.

b/ Disbursement for loan guarantee default claims.



## INCOME SECURITY (FUNCTION 600)

Credit assistance in the income security function is primarily for housing. Local public housing authorities are assisted in the construction of low-rent public housing, and a "seed money" loan program assists nonprofit sponsors in the planning of housing projects to be financed by the Housing for the Elderly or Handicapped Fund (in function 370). Only the loans to nonprofit sponsors are subject to limitation. Table 69 summarizes the credit activity levels in function 600 for 1980-1982. The following sections highlight each activity.

TABLE 69. INCOME SECURITY--SUMMARY OF CREDIT ACTIVITY (By fiscal year, in millions of dollars)

Program	New Direct Loan Obligations			New Loan Guarantee Commitments		
	1980	1981 <u>a/</u>	1982 <u>a/</u>	1980	1981 <u>a/</u>	1982 <u>a/</u>
Low-Rent Public Housing	1,318.1	300.0	300.0	17,012.6	17,838.6	17,446.3
Nonprofit Sponsor Assistance	0.6	2.3	2.6	---	---	---
Pension Benefit Guaranty Corporation	---	2.3	2.7	---	---	---
Total	1,318.7	304.6	305.3	17,012.6	17,838.6	17,446.3

a/ Administration estimates.

### Low-Rent Public Housing

The low-rent public housing program provides credit assistance to local public housing agencies (PHAs) for the construction, acquisition, or modernization of public housing projects. Credit assistance is provided at three different stages in the process. First, the federal government makes direct loans to PHAs to finance early costs, such as design and planning. These are shown in the direct loan portion of Table 70. The Administration estimates total direct loan obligations of \$300 million for fiscal year 1982, the same level estimated for the previous year.

At a second stage, when the volume of direct loans has accumulated to a size that can be made attractive to private investors, PHAs issue short-term, tax-exempt notes that are guaranteed by federal pledges to issue direct loans in case of default. These short-term notes are for terms

averaging between 90 days and one year, and are shown in the guaranteed lending portion of Table 70. They constitute the largest volume of lending under the program. With these guaranteed notes, the PHAs raise sufficient funds to repay the initial direct federal loans and to continue project construction. Loan guarantee commitments are estimated at \$17.4 billion for fiscal year 1982, a slight decrease from the 1981 estimate of \$17.8 billion. The \$17.4 billion represents the gross of all new lending extended during the year. Because the loans mature within a year, this overstates the net volume of funds involved, but is an accurate reflection of total new activity.

TABLE 70. LOW-RENT PUBLIC HOUSING LOANS AND LOAN GUARANTEES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates	
		1981	1982
New Direct Loan Obligations			
Exempt from Limitation	1,318	300	300
Net Direct Loan Outlays	38	---	---
Direct Loans Outstanding	94	94	94
-----			
New Loan Guarantee Commitments			
Exempt from Limitation	17,013	17,839	17,446
-----			
Guarantees of FFB Loans			
New FFB Loans	119	1,684	2,654
Repayments	---	-606	-92
Outstanding FFB holdings	119	1,197	3,759

At or near completion of construction or modernization, the third or permanent stage of financing takes place. In the past, the PHAs sold long-term, tax-exempt bonds to the public. These were secured by the government's implied guarantee through long-term contracts of annual contributions sufficient to meet interest and principal requirements. No such bonds have been offered in recent years because of high interest rates. Long-term financing is now provided by the Federal Financing Bank and in some cases by refinancing of the short-term notes. The Administration anticipates sharp increases in the use of the FFB for permanent financing, estimating that new FFB loan purchases will rise from \$0.1 billion in 1980 to \$2.7 billion in 1982.

The activity estimated in this account for 1981 and 1982 is below the levels estimated in the January budget. The difference arises in part from

assumptions of less public housing construction and modernization due to 1981 rescissions in other forms of public housing funding.

#### Other Income Security Programs

Nonprofit Sponsor Assistance. The nonprofit sponsor assistance program provides interest-free direct loans to nonprofit organizations sponsoring construction of housing for the elderly or handicapped. To demonstrate their commitment, the sponsors are required to put up 20 percent or \$50,000, whichever is less, of the start-up costs. The interest-free or "seed money" loans cover the remainder. Once the project is approved, the sponsor's 20 percent and the "seed money" loan are repaid from the initial proceeds of the construction loan from the Housing for the Elderly or Handicapped Fund (in function 370). For 1982, the Administration is requesting a limitation of \$2.6 million for new direct loan obligations, which represents an increase of 13 percent over the 1981 request (see Table 71).

Pension Benefit Guaranty Corporation. The Pension Benefit Guaranty Corporation administers insurance programs to prevent the loss of pension benefits to participants if pension plans terminate and are not able to pay the insured benefits. A recent amendment (Public Law 96-364) provided that the corporation's receipts and disbursements should be included in the totals of the U.S. budget, beginning in 1981. Prior to this amendment the corporation had been off-budget. Table 71 summarizes credit activity for nonprofit sponsor assistance and for the Pension Benefit Guaranty Corporation.

TABLE 71. OTHER INCOME SECURITY PROGRAMS (By fiscal year, in millions of dollars)

Program	1980 Actual	Administration Estimates	
		1981	1982
Nonprofit Sponsor Assistance			
New loan obligations	0.6	2.3	2.6
New direct loans	<u>a/</u>	<u>a/</u>	<u>a/</u>
Pension Benefit Guaranty Corporation			
New obligations	---	2.3	2.3
New transactions	---	2.3	2.7

a/ Less than \$50,000.